

**MEMORANDUM OF
UNDERSTANDING**
(M o U)

BETWEEN

ASSAM PETROCHEMICALS LTD.

AND

INDUSTRIES & COMMERCE DEPARTMENT
Government of Assam

For the Financial Year 2006-07

ASSAM PETROCHEMICALS LIMITED

PREAMBLE:

ASSAM PETROCHEMICALS LIMITED (APCL), a state level public enterprise of Assam came into existence on 22nd April 1971. Assam Industrial Development Corporation Ltd. (AIDC) promoted the company for manufacture of Methanol from natural gas. The Petrochemical complex is the first of its kind in India, having natural gas as feedstock. Formalin is another of its subsequent products. There are 480 personnel employed in the organization as on 1st July 2006. The Company has a paid-up equity capital of Rs. 9.13 Crore and cumulative reserve of Rs. 51.31 Crore as on 31st March 2006 and its accounts are up to date.

MISSION:

APCL's mission is to function as a dependable producer of international quality methanol and other allied products from Natural Gas through use of renowned technology and contribution to the economic development of the State.

OBJECTIVE:

- To carry on the business of manufacturing of and dealers in petrochemicals, chemical compounds and chemical products of any nature and kind whatsoever.
- To carry on the business of manufacturers of importers, exporters and dealers in all kinds of plastic materials.
- To manufacture, purchase, acquire, refine, treat etc. and generally deal in any and all kinds of petroleum and petroleum products, oil, gas, and other volatile substances etc.
- To carry on the business of manufacturers, importers, exporters and dealers in fertilizers, manures, dips, medicines and remedies of all kinds for agricultural horticultural or other purposes and remedies for animals.
- Other objects

COMMITMENTS:

Financial Year 2006 – 07

Criteria	Units	Weightage %	Criteria Values				
			1	2	3	4	5
			Excellent	Very Good	Good	Fair	Poor
Production							
Methanol	TPA	30	33000	31350	29700	28050	26400
Formalin	TPA	10	28050	26650	25250	23840	22440

Financial target							
Turnover	Rs. in Lakh	15	4915	4670	4424	4177	3932
Profit before tax (PBT)	Rs. in Lakh	15	909	864	818	773	727
PBT to Turnover	%	5	20	18	16	14	12
Dividend on Equity	%	5	12	10	8	6	5
Dynamic efficiency							
Accidents	Nos./ Manhour	3	0	2	2.5	3	3.5
NG Consumption per Ton Methanol	Standard-Meter ³	3	1145	1180	1215	1252	1289
Power Consumption per TonMethanol	Kwh	3	572	590	608	626	645
Methanol Consumption per Ton of Formalin	MT	3	0.480	0.485	0.490	0.500	0.510
State Govt.'s approval to MethanolProject	By end	2	Sep-06	Oct-06	Nov-06	Dec-06	Jan-07
Statutory Audit for FY 2005-06	By end	2	Jul-06	Aug-06	Sep-06	Oct-06	Nov-06
Training	Nos.	2	15	12	9	6	3
Education to students of nearby Villages	Nos.	2	100	95	90	85	80

Performance in last five years

Criteria	Units	Criteria Values				
		2001-02	2002-03	2003-04	2004-05	2005-06
Production						
Methanol	TPA	21448	29607	30001	29616	32706
Formalin	TPA	20354	22825	24690	26845	27040
Financial target						
Turnover	Rs. in Lakh	2213.79	3889.78	4591.20	4563.08	4833.21
Profit/ (Loss) before tax (PBT)	Rs. in Lakh	(263.9)	675.72	1147.94	1322.35	1290.08
PBT to Turnover	%	(11.9)	17.4	25.0	29.0	27.0
Dividend on Equity	%	0.0	7.5	10.0	10.0	10.0
Dynamic efficiency						
Accidents	Nos./ Manhour	0	0	0	0	0
NG Consumption per Ton Methanol	Standard-Meter ³	1300	1223	1209	1183	1138
Power Consumption perTon Methanol	Kwh	678	579	583	590	545
Methanol Consumption per Ton of Formalin	MT	0.515	0.496	0.486	0.483	0.492
Statutory Audit of previous year	Date	03.06.02	20.06.03	19.07.04	30.06.05	21.08.06
Training	Nos.	5	8	40	21	4
Education to students of nearby Villages	Nos.			137	133	153

4) DELEGATION OF POWER:

The Govt. will consider empowering the Board to take investment decisions for viable projects requiring capital investment not exceeding Rs. 5 Crore.

5) ASSISTANCE FROM THE GOVERNMENT:**The State Government will consider**

- Speedy clearance of proposed project
- Financial Assistance in big Project
- Improvement of Roads and Infrastructure

- Set off of VAT payable on NG which is used as raw material, provided it is permissible under the VAT Act/Rules

The State Government will also consider helping in

- Restoration of North East Discount/subsidy of Rs. 300/1000 sm³ on NG since April 2003 and continuation of concessional Natural Gas (NG) price for Consumers of North-East Region.
- Securing allocation of additional 0.50 mmscumd Natural Gas with concessional price commitment for 15 years for the proposed 500 TPD Methanol project.
- Improvement of communication/internet at Namrup, an industrial town of upper Assam.
- Getting excise exemption w.e.f. 16th Feb 1998 to the Company on account of installation of 100 Ton per day Formalin Unit with an investment of Rs. 13 Crore, which was commissioned on 30th Sept. 1997 and commercial production started on 16th Feb 1998. This being expansion by installing a grass root new unit, the Company claimed consideration of date of commercial production which was rejected by the Excise department by taking into account the date of commissioning which is prior to the 24th Dec' 1997, the effective date of NE Incentive Scheme. The Company filed case in the Apex Court, which may be settled by issue of necessary clarification by the Central Govt. The benefit will help the Company in industrialization in the NER and upper Assam in particular. This is subject to approval of appropriate authority.

6) FREQUENCY OF MONITORING & INFORMATION FLOW:

1. Quarterly review at Management Level.
2. Evaluation of MoU performance at the end of the year as prescribed in the guideline of the Govt. of Assam.

Sd/26.02.07
(O.P. Tailor)
Managing Director
Assam Petrochemicals Ltd.

Sd/26.02.07
(P.C. Sharma)
Chief Secretary
Government of Assam